

Message Text

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AMCONSUL ZURICH

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SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK OF AUGUST 15-21

1. SUMMARY: CONFIDENCE IN LONG TERM IMPROVEMENT ECONOMIC
CONDITIONS CLOUDED BY UNCERTAINTY GENERATED BY CONTINUED
CURRENCY FLUCTUATIONS WITHIN EUROPEAN SNAKE AND SHARP DROP
IN GOLD PRICE. DOLLAR CAME UNDER INCREASING PRESSURE
FROM DM IN NERVOUS AND HECTIC EXCHANGE MARKET. STOCKS
WERE ACTIVE WITH BEST PERFORMANCE SINCE JUNE 1974. JAN-
JULY FOREIGN TRADE SHOWED SURPLUS SF 332 MILLION COMPARED
TO SF 1,424.6 MILLION DEFICIT SAME PERIOD 1975; JULY TRADE
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SURPLUS WAS SF 82.5 MILLION. FOUR LARGEST SWISS BANKS

ANNOUNCED EASIER TERMS FOR EXPORT FINANCING. MACHINE INDUSTRY ORDERS AT END JUNE LOWER THAN IN PREVIOUS YEARS. LABOR STRIKE AT DUBIED SA NOW TWO WEEKS OLD. TISSOT WATCH COMPANY ANNOUNCED REDUCED WORKING HOURS. EFFECTS OF LOW INFLATION RATE AND PRICE CUTTING HIT ZURICH PRACTITIONERS OF OLDEST PROFESSION.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: MARKETS NERVOUS, BUSY AT MIDWEEK WITH DOLLAR UNDER PRESSURE FROM DM DUE TO FLUCTUATIONS WITHIN EUROPEAN SNAKE. SWISS FRANC APPRECIATED SLIGHTLY. DOLLAR DECLINED FROM SF 2.49 TO SF 2.47, LOW THURSDAY SF 2.46, BUT FIRMED WITH REPORT OF INCREASED US GNP GROWTH. EXCHANGE DEALERS REPORTED TO BELIEVE FRENCH FRANC WOULD STABILIZE ABOVE FF 5 TO DOLLAR, NOTING WORSENERED JULY TRADE DEFICIT AND LARGE SALARY INCREASES EXPECTED OCTOBER IN FRANCE. IMMINENT REALIGNMENT SNAKE CURRENCIES EXPECTED. PRESS SPECULATED CHANCELLOR SCHMIDT MIGHT REVALUE DM DESPITE DENIALS, AS IN 1973. GOLD FELL FROM 113 TO 108; PRESS COMMENT (BERN 3745) APPREHENSIVE ABOUT FURTHER PRICE DECREASE, WHICH ACCORDING PRESS COULD UNDERMINE STRENGTH AND STABILITY WESTERN COUNTRIES. RATES FOLLOW.

	8/16 (OPEN)	8/20 (CLOSE)
SPOT DOLLAR	2.4920	2.4785
FORWARD DISCOUNTS (PCT. P.A.)		
ONE MONTHS	- 4.82	- 4.89
TWO MONTHS	- 4.58	- 4.65
3 MONTHS	- 4.67	- 4.60
6 MONTHS	- 4.27	- 4.18
12 MONTHS	- 4.14	- 4.12
SF/DM	98.30	98.22
GOLD	113.25	108.75

3. SNB GOLD: SWISS NATIONAL BANK BALANCE SHEET OF AUG 13 SHOWED GOLD HOLDINGS INCREASED BY SF 6.6 MILLION TO SF 11,903.3 MILLION DUE PURCHASE AT JULY IMF AUCTION 1,423 KILOGRAMS GOLD RECORDED AT SF UNCLASSIFIED

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4,595.74 PER KILOGRAM.

4. CAPITAL AND MONEY MARKETS: MARKETS VERY LIQUID AND NERVOUS, REFLECTING SITUATION EXCHANGE MARKET AND FRG BORROWING DM 200 MILLION (BERN 3715). PRESS REPORTED EXPECTATION TOTAL DM 600 MILLION IN NEW LOANS TO FRG BUT BANKS DENIED CONSIDERING MORE LOANS. EXCHANGE DEALERS SAID POSTPONEMENT ADDITIONAL LOANS COULD PUT MORE DOWNWARD

PRESSURE ON DOLLAR. MOST STOCKS WERE ACTIVE: SKA
INDEX (1959 EQUALS 100) 214.4 AUG 20 AFTER 215.4
AUG 18, HIGHEST SINCE JUNE 1974. CALL MONEY RATE
REMAINED 0.5 PERCENT. AVERAGE YIELDED CONFEDERATION BONDS
DECREASED SLIGHTLY TO 5.03 REFLECTING LOWER RATES FOR
NEW SF 500 MILLION CONFEDERATION BORROWING.

ECONOMIC

5. FOREIGN TRADE: TRADE EXPENDED FURTHER DURING
JULY; COMPARED JULY 1975 IMPORTS ROSE 5.3 PERCENT TO
SF 3,000.1 MILLION, EXPORTS UP 7.5 PERCENT TO SF 3,082.6
MILLION. JULY TRADE BALANCE CLOSED WITH SF 82.5 MILLION
SURPLUS AGAINST SF 6.2 MILLION SURPLUS JUNE. FIRST
SEVEN MONTHS 1976 EXPORTS SF 20,874.2 MILLION AGAINST
IMPORTS SF 20,542.2 MILLION FOR TRADE BALANCE SURPLUS
SF 332 MILLION, COMPARED TO DEFICIT SF 1,424.6 MILLION
SAME PERIOD 1975; IMPORTS DECREASED 0.4 PERCENT WHILE
EXPORTS UP 8.7 PERCENT FROM LAST YEAR.

6. EXPORT FINANCING: FOUR LARGEST BANKS (UNION BANK OF
SWITZERLAND, SWISS BANK CORPORATION, SWISS CREDIT BANK
AND BANQUE POPULAIRE SUISSE) ANNOUNCED AGREEMENT WITH
SWISS NATIONAL BANK ON EASIER EXPORT CREDIT TERMS EFFECTIVE
AUG 23 TO HELP PROMOTE EXPORT SALES. MAIN PROVISIONS
ARE DROPPING OF MINIMUM RATES AND POSSIBILITY OF FIXED
INTEREST RATE CREDITS FOR PERIODS 5 TO 10 YEARS. SNB
ALSO REDUCED MINIMUM AMOUNT ELIGIBLE FOR FINANCING FROM
SF 30 MILLION TO SF 10 MILLION.

7. MACHINE INDUSTRY: AVERAGE VOLUME OF ORDERS ON HAND
DECLINED DURING SECOND QUARTER 1976 AFTER SLIGHT INCREASE
DURING FIRST QUARTER THIS YEAR. ORDERS ON HAND END JUNE
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ASSURED WORK FOR 7.7 MONTHS COMPARED WITH
8.2 MONTHS JUNE 1975 AND 10.2 MONTHS JUNE 1974. MACHINE
EXPORTS FIRST HALF 1976 WERE SF 6,764.3 MILLION, UP 3.8
PERCENT OVER SAME PERIOD 1975, BUT INDUSTRY ASSOCIATION
STATED THIS REPRESENTS COMPLETION OF PREVIOUS ORDERS AND
DOES NOT REFLECT TRUE PICTURE OF INDUSTRY.

8. LABOR DISPUTE: NO END IN SIGHT FOR STRIKE OF 600 EMPLOYEES
AT DUBIED SA, MANUFACTURER OF MACHINE TOOLS AND TEXTILE
EQUIPMENT (BERN 3668).

9. WATCH INDUSTRY: IMPORTANT TISSOT WATCH COMPANY ANNOUNCED
REDUCED WORKING HOURS TO BEGIN OCT FIRST FOR ITS
841 EMPLOYEES; BY 10 PERCENT FOR SWISS AND RESIDENT
FOREIGNERS, AND BY 20 PERCENT FOR DAILY FRONTIER EMPLOYEES.

TISSOT MANAGEMENT STATED REDUCED HOURS MADE NECESSARY BY
NEW ELECTRONIC TECHNOLOGY WHICH REQUIRES LESS LABOR.
TISSOT PLACING HOPES FOR RECOVERY ON MARKET ACCEPTANCE
NEW ELECTRONIC MODEL TO BE RELEASED THIS FALL.

10. INFLATION AND PRICES: SWISS HAVE PLACED MUCH EMPHASIS
ON SUCCESSFUL ECONOMIC RECOVERY BASED ON LOW INFLATION RATE;
JAN-JUL CPI UP ONLY 2.2 PERCENT AGAINST 8.1 PERCENT LAST YEAR.
HOWEVER, APPRECIATED FRANC HAS CAUSED MANY
INDUSTRIES CUT BACK PRICES IN EFFORT MAINTAIN MARKET
POSITION. THIS EFFECT NOW SEEN ON DOMESTIC MARKET AS
RETAILERS SEEN CUTTING PRICES, PARTICULARLY FOR CLOTHING.
IN ZURICH 500 PRACTITIONERS OLDEST PROFESSION REPORTED BY
TRIBUNE DE GENEVA TO BE CUTTING PRICES 20 PERCENT, IN PART DUE
APPRECIATION FRANC BUT ALSO TO MEET COMPETITION FROM 140 MASSAGE
PARLORS WHICH CHARGE SF 35-40 COMPARED CURRENT AVERAGE SF 100
CHARGED BY STREET-WALKERS. CITY TAX OFFICE REPORTEDLY
EXAMINING POSSIBLE RELIEF THROUGH REDUCED TAX RATE; SOME
PROSTITUTES PAY TAXES ON ANNUAL INCOMES OF SF 120,000.
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